

Message Text

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USADB

FOR NAC AGENCIES

E O 1165 2: ADS, DECLAS 9/30/73.

TAGS: EFIN, EAID, RP

SUBJ: PROPOSED ADB LOAN FOR TARLAC - SANTA ROSA AND FEEDER
ROADS PROJECT (PHILIPPINES)

SUMMARY: ADB MANAGEMENT PROPOSES \$3.6 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL RESOURCES TO REPUBLIC OF PHILS.
TO FINANCE FOREX COST OF REHABILITATION AND IMPROVEMENT OF
41.16 KM OF NATIONAL ROAD BETWEEN TARLAC AND SANTA ROSA
AND 50 KM OF CONNECTING FEEDER ROADS LOCATED IN CENTRAL
LUZON. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R54-73 WITH ATTACHMENTS DESCRIBING PROPOSED LOAN
POUCHED ADDRESSEES 13 JUN. BOARD CONSIDERATION SCHEDULED
28 JUNE. BANK HAS REQUESTED EXCEPTION TO USUAL THREE- WEEK
NOTICE BETWEEN DATE OF ISSUE OF LOAN DOCUMENT (11 JUNE)
AND DATE OF BOARD CONSIDERATION, AS RESPONSIBLE PROJECT
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MANAGER DUE TO GO ON HOME LEAVE ABOUT 1 JULY.

2. ADB MANAGEMENT PROPOSING \$3.6 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES TO REPUBLIC OF PHILIPPINES FOR TARLAC- SANTA ROSA AND FEEDER ROADS PROJECT. PROCEEDS WILL FINANCE FOREX COST OF (1) REHABILITATION AND IMPROVEMENT OF 41.16 KM OF NATIONAL ROAD BETWEEN TARLAC AND SANTA ROSA IN CENTRAL LUZON, AND (2) REHABILITATION AND IMPROVEMENT OF 50 KM OF FEEDER ROADS WHICH CONNECT ONTO TARLAC- SANTA ROSA ROAD, INCLUDING PROVISION OF CONSULTANT SERVICES FOR DETAILED ENGINEERING AND SUPERVISION OF CONSTRUCTION OF PROJECT. ALSO INCLUDED IN FINANCING IS CAPITALIZATION OF INTEREST AND OTHER CHARGES DURING CONSTRUCTION. PROPOSED TERMS ARE 24- YEAR AMORTIZATION INCLUDING 4- YEAR GRACE PERIOD, 7 1/2 PERCENT INTEREST. REPUBLIC OF PHILIPPINES TO BE BORROWER AND BUREAU OF PUBLIC HIGHWAY (BPH) OF DEPT OF PUBLIC WORKS, TRANSPORTATION AND COMMUNICATIONS TO BE EXECUTING AGENCY.

3. TARLAC- SANTA ROSA ROAD IS LOCATED IN CENTRAL LUZON. AREA CONTAINS ABOUT ONE- FOURTH OF COUNTRY' S POPULATION AND ACCOUNTS FOR ABOUT ONE- FOURTH OF COUNTRY' S AGRICULTURAL PRODUCTION, LARGELY RICE AND SUGAR. ROAD PROVIDES IMPORTANT LINK BETWEEN MANILA NORTH ROAD AND PAN- PHILIPPINE HIGHWAY AND, OF GREATER IMPORTANCE, IS TRANSPORTATION " LIFELINE" FOR NUMEROUS SMALL FARMS WITHIN ROAD' S VICINITY.

4. DURING JULY/ AUGUST 1972, TYPHOONS AND HEAVY RAINFALL CAUSED CONSIDERABLE FLOODING IN CENTRAL LUZON, INCLUDING PROJECT AREA WHICH IS LOCATED IN LOW- LYING PLAINS ONLY A FEW METERS ABOVE SEA LEVEL. GOVERNMENT HAS TAKEN STEPS TO REHABILITATE AREA USING OWN FUNDS, AS WELL AS ASSISTANCE FROM IBRD, ADB, USAID, AND JAPANESE COMMODITY LOANS. PROJECT AREA COINCIDES WITH AREAS RECEIVING PRIORITY ATTENTION UNDER GOVERNMENT' S AGRICULTURAL DEVELOPMENT PROGRAMS.

5. IN SEPTEMBER 1972, BANK APPROVED TECHNICAL ASSISTANCE TO UPDATE TARLAC- SANTA ROSA SECTION OF 1971/1972 UNDP/ IBRD FEASIBILITY REPORT OF CENTRAL LUZON NATIONAL HIGHWAYS IN ORDER TAKE ACCOUNT OF CHANGED CONDITIONS FOLLOWING LAST YEAR' S FLOODS. FLOODWATERS SEVERELY DAMAGED ROADWAY AS WELL AS NINE BRIDGES. ONLY ABOUT TWO- THIRDS OF ROAD IS NOW OPEN TO REGULAR VEHICULAR LIMITED OFFICIAL USE

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TRAFFIC, WHILE OTHER THIRD, BECAUSE OF TWO EXTENSIVELY DAMAGED BRIDGES, IS USEABLE ONLY BY THREE- WHEELED MOTORCYCLES. UPDATED FEASIBILITY REPORT, WHICH WAS FINALIZED IN MARCH 1973, CONCLUDED THAT ENTIRE ROADWAY FROM TARLAC TO SANTA ROSA REQUIRED UPGRADING AND IMPROVEMENTS TO ALLEVIATE POSSIBLE YEARLY FLOODING AND ROADWAY CLOSURE DUE TO LOW EMBANKMENTS AND INADEQUATE CROSS

DRAINAGE STRUCTURES. AS 1972 FLOODS LEFT MOST OF EXISTING FEEDER ROADS IN AREA WITH POTHOLES, WHEEL RUTS AND DEVOID OF GRAVEL SURFACING, GOVERNMENT AND BANK FELT IT WOULD BE ESSENTIAL ALSO TO REHABILITATE CONNECTING FEEDER ROADS.

6. UNDER PROPOSED PROJECT, TARLAC- SANTA ROSA ROAD WILL BE UP- GRADED BY RAISING EMBANKMENT BY UP TO TWO METERS, PROVISION OF ADEQUATE CROSS- DRAINAGE STRUCTURES, REPLACEMENT OF SIX TEMPOR- ARY BRIDGES, CONSTRUCTION OF FIVE ADDITIONAL BRIDGES AND REHABILITATING OTHER DAMAGED BRIDGES, AND PAVING ENTIRE ROAD- WAY WITH CONCRETE PAVEMENT. DUE TO LOCATION OF CEMENT PLANTS CLOSE TO PROJECT ROAD AREA AND CONCESSIONAL PRICES OF CEMENT FOR GOVERNMENT PROJECTS, COST OF CONCRETE PAVEMENT IS ABOUT 4 PERCENT LESS THAN ASPHALT ALTERNATIVE. ROAD PAVEMENT WILL BE DESIGNED FOR SINGLE- AXLE LOADS OF 8,200 KILOGRAMS. (ABOUT 50 PERCENT OF VEHICLES USING ROAD ARE CLASSIFIED AS HEAVY VEHICLES.) BRIDGES WILL BE DESIGNED GENERALLY TO AMERICAN ASSOCIATION OF STATE HIGHWAY OFFICIALS (AASHO) RECOMMENDED STANDARDS. DUE CONSIDERATION WILL BE GIVEN TO SEISMIC ACTIVI- TIES IN PHILIPPINES, SO STRUCTURES WILL BE DESIGNED FOR STRONGER EARTHQUAKE FORCES THAN REQUIRED BY AASHO STANDARDS. CONSULTANTS WILL PREPARE DETAILED ENGINEERING DESIGNS, SPECIFICATIONS AND OTHER TENDER DOCUMENTS, ASSIST IN PREQUALIFICATION OF CONTRACT- ORS AND EVALUATION OF TENDERS, AND SUPERVISE CONSTRUCTION.

7. TOTAL COST OF PROJECT ESTIMATED AT \$5.7 MILLION EQUIVALENT, WITH FOREIGN EXCHANGE COMPONENT OF \$3.17 MILLION. PROPOSED BANK LOAN OF \$3.6 MILLION INCLUDES \$2.42 MILLION FOR CIVIL WORKS, \$340,000 FOR CONSULTANT SERVICES, \$410,000 AS UNALLOCATED CON- TINGENCIES, AND \$430,000 AS INTEREST AND OTHER CHARGES DURING CONSTRUCTION. INCLUSION OF LATTER COMPONENT JUSTIFIED BY BANK STAFF BECAUSE OF GOVERNMENT' S DIFFICULT RESOURCES POSITION AND HEAVY OUTLAYS NEEDED FOR REHABILITATION WORK IN CENTRAL LUZON AS RESULT OF 1972 FLOODS. IF CIVIL WORKS ARE AWARDED TO LOCAL

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INFO OCT-01 EA-11 ADP-00 NEA-10 IO-13 L-03 H-02 PRS-01

PA-03 USIA-12 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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CONTRACTOR, FOREIGN EXCHANGE COMPONENT OF CIVIL WORKS WILL BE REDUCED FROM 57 PERCENT TO 41 PERCENT OF TOTAL COST OF CIVIL WORKS. LOCAL CURRENCY EXPENDITURE EQUIVALENT OF \$2.53 MILLION TO BE FINANCED BY GOVERNMENT OUT OF FUNDS ALREADY APPROPRIATED FOR PUBLIC WORKS. GOVERNMENT HAS ALSO ASSURED THAT ADEQUATE FUNDS WILL BE PROVIDED IN ANNUAL BUDGETS TO MAINTAIN ROAD IN GOOD CONDITION AFTER COMPLETION.

8. BPH, EXECUTING AGENCY FOR PROJECT, WILL ESTABLISH PROJECT MANAGEMENT OFFICE RESPONSIBLE FOR PROJECT IMPLEMENTATION. RECOMMENDATIONS ON REORGANIZATION OF BPH WERE MADE BY CONSULTANTS ENGAGED UNDER IBRD HIGHWAY LOAN IN MARCH 1971. GOVERNMENT HAS COMMENCED REORGANIZATION WITH VIEW TO IMPROVING ITS EFFICIENCY, AND BANK WILL BE CONSULTED ON FURTHER STEPS IN THIS REGARD.

9. GOVERNMENT WILL RETAIN SERVICES OF FOREIGN CONSULTANTS IN ACCORDANCE WITH BANK'S GUIDELINES ON USES OF CONSULTANTS. FOREIGN CONSULTANTS ARE EXPECTED TO PROVIDE KEY PERSONNEL AND COLLABORATE WITH SUITABLE DOMESTIC CONSULTANTS OF THEIR CHOICE. CONTRACTORS FOR PROJECT CONSTRUCTION WILL BE ENGAGED ON BASIS OF INTERNATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH BANK'S GUIDE-

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LINES FOR PROCUREMENT. CIVIL WORKS CONTRACTOR WILL BE EXPECTED TO PROVIDE NECESSARY EQUIPMENT AND MATERIALS REQUIRED FOR CONSTRUCTION.

10. WHEN COMPLETED, PROPOSED PROJECT WILL MAKE POSSIBLE SAVINGS IN TRANSPORT AND MAINTENANCE COSTS AND WILL HELP ACCELERATE ECONOMIC DEVELOPMENT IN AREA. INTERNAL RATE OF RETURN ON PROJECT ESTIMATED AT 19.0 PERCENT. USADB REQUESTING U. S. MISSION PHILIPPINES CABLE COMMENTS FOR NAC AGENCIES PURSUANT TO STATE 119795 DATED 3 JULY 1972.

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